

Message Text

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S E C R E T SECTION 1 OF 5 ATHENS 2099

EXDIS

E.O. 11652: GDS

TAGS: MARR, GR

SUBJECT: US-GREEK NEGOTIATIONS - PRIVILEGES, IMMUNITIES, AND
EXEMPTIONS

REFS: (A) ATHENS 1456; (B) ATHENS 1196; (C) ATHENS 1113

SUMMARY. IN THE OPENING ROUND OF DISCUSSIONS ON THE US/
GREEK SECURITY RELATIONSHIP AMBASSADOR CALOGERAS REFERRED
SEVERAL TIMES IN QUITE GENERAL TERMS TO THE NEED PERCEIVED
BY THE GOG TO REDUCE THE LEVEL OF PRIVILEGES, IMMUNITIES,
AND EXEMPTIONS ENJOYED BY THE US FORCES TO THE BASIC LEVEL
AFFORDED BY THE NATO SOFA, IN WHICH HE INDICATED THE
GOG MIGHT ALSO SEEK A "FEW MODIFICATIONS." HE FURTHER
DEFINED THE PROBLEM AS INCLUDING NOT ONLY CRIMINAL
JURISDICTIONAL MATTERS BUT COMMISSARIES, POST EXCHANGES
AND CLUBS AS WELL AS FINANCIAL ARRANGEMENTS RELATED TO THE
FUNCTIONING OF US FACILITIES. IN THIS MESSAGE WE
DISCUSS THE KINDS OF PRIVILEGE AND ACTIVITY MOST LIKELY
TO BE CHALLENGED BY THE GOG, THE IMPLICATIONS OF THE
CHANGES THE GOG PROBABLY WILL SEEK, AND WE MAKE CERTAIN
RECOMMENDATIONS. END SUMMARY

1. THE IMMINENT ADVENT OF HOMEPORTING LED THE FONOFF
IN MAY 1972 TO INFORM THE EMBASSY THAT THE GOG WOULD NO
LONGER VACATE ITS JURISDICTION OVER DEPENDENTS AND
OTHER CIVILIANS ACCOMPANYING THE US FORCES IN GREECE
SINCE, AS THE FONOFF RIGHTLY NOTED, THE US FORCES HAD
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NO JURISDICTION. SIMILARLY TAKING ADVANTAGE OF HOME-

PORTING AS AN EXCUSE, THE FONOFF IN JULY 1972 SUGGESTED THAT THE USG UNILATERALLY RENOUNCE THE SEPT. 7, 1956 BILATERAL SOFA IMPLEMENTING AGREEMENT. THE APPARENT UNWILLINGNESS OF THE USG TO COMPLY WITH THIS REQUEST, AND THE PRESS CAMPAIGN TO ACCENTUATE THE NEGATIVE ASPECT OF A SIXTH FLEET PRESENCE, SEEMED TO UNDERLIE THE SUBSTANTIAL REVERSAL OF THE SITUATION PREVAILING THERETOFORE IN WHICH-IN COMPLIANCE WITH THE 1956 AGREEMENT - THE GOG WAIVED ITS JURISDICTION IN AN OVERWHELMING MAJORITY OF THE FCJ CASES. SINCE JULY 1972, THE WAIVER FORMULA HAS BEEN VIRTUALLY DISREGARDED BY THE GOG IN AN OVERWHELMING MAJORITY OF THESE CASES. ALTHOUGH INCREASED NUMBERS OF US FORCES' MEMBERS HAVE BEEN TRIED BEFORE GREEK COURTS IN THE INTERVENING PERIOD, IT HAS NOT CREATED AN INTOLERABLE SITUATION. OUR CONCLUSION IS THAT OUR RENUNCIATION OF THE WAIVER PROVISION OF THE 1956 BILATERAL - ALTHOUGH RESERVING OUR RIGHT TO CONTINUE TO SEEK WAIVERS UNDER THE PROVISION OF NATO SOFA VII 3C - WOULD WORK NO SUBSTANTIAL HARDSHIP AND WOULD HAVE LITTLE PRACTICAL EFFECT OTHER THAN TO FORMALIZE THE CURRENT SITUATION.

2. ANOTHER VERY IMPORTANT PROVISION OF THE 1956 BILATERAL AGREEMENT IS THAT PROVIDING FOR RETENTION BY THE US FORCES UNTIL THE JUDICIAL PROCESS IS COMPLETED OF CUSTODY OF MEMBERS OF THE FORCE ACCUSED OF VIOLATING GREEK LAWS. THE PERFORMANCE OF THE US FORCES IN MAINTAINING CUSTODY AND ENSURING THE AVAILABILITY FOR TRIAL OF ACCUSED MEMBERS OF THE FORCE IS BEYOND CRITICISM, ALTHOUGH THERE IS REASON TO BELIEVE THAT THIS PRACTICE IS RESENTED BY SOME GREEK JUDICIAL AND POLICE AUTHORITIES. WERE THIS PRIVILEGE TO BE LOST, THERE WOULD BE A SIGNIFICANT INCREASE IN THE NUMBER OF SERVICEMEN INCARCERATED IN GREEK PRISONS, IN BOTH PRE-TRIAL AND POST-SENTENCING (BUT PRE-APPEAL) STATUS. CONGRESSIONAL DISSATISFACTION PROBABLY WOULD BE STIMULATED, AND A SIGNIFICANT INCREASE IN LOST MAN-DAYS WOULD BE RECORDED. WE BELIEVE THAT THIS PROVISION SHOULD BE RETAINED IF AT ALL POSSIBLE.

3. YET ANOTHER IMPORTANT PROVISION OF THE 1956 BILATERAL
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AGREEMENT IS THAT WHICH RECOGNIZES THAT US FORCES AND MEMBERS OF THE FORCE TEMPORARILY PRESENT IN GREECE ARE COVERED BY THE NATO SOFA. ON AT LEAST TWO OCCASIONS, IN CONNECTION WITH THE ARRIVAL OF THE HOME-PORTED DESRO N AND IN THE UNCOMPLETED NEGOTIATION ON SOUDHA AB, THE GOG SOUGHT TO DENY TO PERSONNEL ASSOCIATED WITH THESE ACTIVITIES THE STATUS ENJOYED BY OTHER US PERSONNEL IN GREECE. WE SHOULD CONTINUE TO RESIST ANY

ATTEMPT TO DIFFERENTIATE AMONG US MILITARY PERSONNEL IN GREECE IN A DUTY STATUS, AND HOPE THAT WE CAN CONTINUE, AS HERETOFORE, TO EXTEND THE SAME PROTECTION TO US MILITARY PERSONNEL IN GREECE ON LEAVE.

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4. IN HIS SEVERAL REFERENCES TO AGREEMENTS WHICH THE GOG WOULD WISH TO REVIEW, THE GREEK NEGOTIATOR MENTIONED (PARA I, REF B) THAT THE 1947 AGREEMENT ON AID TO GREECE WOULD BE EXAMINED. THE PROVISION OF THIS AGREEMENT WHICH THE GOG PRESUMABLY HAS IN MIND IN THE CONTEXT OF PRIVILEGES AND IMMUNITIES IS ARTICLE 5, WHICH PROVIDES FOR THE AMERICAN MISSION (E.E. ECONOMIC AND MILITARY ASSISTANCE ELEMENTS) AND ITS PERSONNEL THE SAME PRIVILEGES AND IMMUNITIES AS ENJOYED BY THE EMBASSY AND ITS PERSONNEL. THIS STATUS WAS RECONFIRMED IN EMBASSY NOTE NO. 76 OF SEPT. 1956, ONE OF TWO NOTES EXCHANGED WITH THE GOG ON THE DAY THE BILATERAL SOFA AGREEMENT WAS SIGNED. JUSMAAG, CONTINUES TO BE IMPORTANT AND USEFUL TO THE GOG, WHICH IS CURRENTLY SEEKING THROUGH JUSMAAG BOTH ENLARGED ALLOCATIONS OF FMS CREDIT AND THE RESUMPTION OF GRANT MILITARY ASSISTANCE. WE RECOMMEND THAT OUR POSITION BE THAT AS LONG AS THE GOG WISHES THE JUSMAAG TO CONTINUE ITS MISSION OF ASSISTANCE TO THE GREEK ARMED FORCES, OR SO LONG AS LARGE QUANTITIES OF MAP-PROVIDED EQUIPMENT ARE IN THE INVENTORY OF GREECE'S ARMED FORCES, WE WOULD EXPECT JUSMAAG'S STATUS AND THAT OF ITS PERSONNEL TO REMAIN UNCHANGED.

5. WE ARE UNAWARE OF ANY PARTICULAR DIFFICULTY CREATED FOR THE GOG BY THE OPERATION IN GREECE OF VARIOUS CLUBS OTHER THAN THE FACT THAT THEY FUNCTION TAX-FREE UNDER THE TERMS OF ART. APP. I, 1963 MFA, WHICH THE GOG IS
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CHALLENGING. THE EXCEPTION TO THIS OBSERVATION IS PERHAPS THE SOCIAL IMPACT OF CLUBS IN OFF-BASE LOCATIONS, WHICH IN THE PERIOD PRIOR TO JULY 1974 WAS EVIDENCED IN SOME INCIDENTS OR COMPLAINTS. IF ATHENAI AB IS CLOSED OR ITS POPULATION QUITE DRASTICALLY REDUCED, THIS PROBLEM COULD BE EXPECTED TO EXPIRE NATURALLY, AS ITS CLUBS, THE ONLY OFF-BASE CLUBS IN GREECE, WOULD CEASE TO BE ECONOMICALLY VIABLE. CLUBS ON A MILITARY INSTALLATION SHOULD BE LESS TROUBLESOME FOR THE GOG, ALTHOUGH IT IS CONCEIVABLE THAT AN ATTEMPT WILL BE MADE TO INTRODUCE TAXES ON THEIR OPERATIONS. WE RECOMMEND THAT WE RESIST SUCH TAXATION UNDER THE REASONABLE QUANTITIES PROVISION OF NATO SOFA XI 4.

6. THE PROBLEMS ASSOCIATED WITH COMMISSARIES AND POST EXCHANGES ARE ESSENTIALLY THE SAME, THE ILLEGAL DIVERSION OF CUSTOMS-FREE GOODS TO THOSE NOT AUTHORIZED TO RECEIVE THEM. THIS TAKES THE FORM OF RESELLING EES MERCHANDISE FOR A PROFIT (I.E. BLACKMARKETING) OR THE SUPPLYING OF AN EXTENDED FAMILY BY A DEPENDENT WIFE OF LOCAL NATIONALITY OR ETHNIC IDENTITY OR BY A MEMBER OF THE CIVILIAN COMPONENT WHO RETAINS A LOCAL ETHNIC IDENTITY. SUBJECTIVE ESTIMATES OF THESE INHERENTLY UNQUANTIFIABLE SITUATIONS GENERALLY AGREE THAT WE HAVE A VERY CONSIDERABLE PROBLEM IN THESE AREAS. WE WOULD WELCOME CLOSER REGULATION BY THE GOG AND RECOMMEND THAT WE BE QUITE FORTHCOMING IN AGREEING TO ANY REASONABLE SYSTEM. IN THIS REGARD, WE URGE THAT THE DEPARTMENT PROVIDE INFORMATION CONCERNING THE MANNER IN WHICH MORE EFFECTIVE REGULATION OF THESE ACTIVITIES IS ACCOMPLISHED ELSEWHERE.

7. ANOTHER WAY IN WHICH WE ARE VULNERABLE TO CRITICISM BY THE GOG IS IN THE PROLIFERATION OF PATRONS OF COMMISSARIES AND EXCHANGES WHO ARE NOT MEMBERS OF THE FORCE OR ITS CIVILIAN COMPONENT (OR THEIR DEPENDENTS) AND WHO ARE NOT OTHERWISE ENTITLED TO DUTY-FREE IMPORT PRIVILEGES. THE TWO MOST NUMEROUS CATEGORIES ARE EMPLOYEES OF CONTRACTORS, SOME OF WHOM DO NOT EVEN SUPPORT THE US FORCES IN GREECE BUT WHO WORK ON DOD PROJECTS ELSEWHERE AND RESIDE IN GREECE, AND RETIRED
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US GOVERNMENT EMPLOYEES, OF WHOM ALL BUT A FEW ARE FORMER MILITARY PERSONNEL. BECAUSE GREECE IS AN ATTRACTIVE PLACE TO LIVE, THE US FORCES OVER THE YEARS HAVE ACCUMULATED A RETIREMENT COLONY IN GREECE OF SOME 200 PRINCIPALS (PLUS DEPENDENTS). NEITHER THE RETIREES NOR THE CONTRACTOR PERSONNEL ARE SUBJECT TO EFFECTIVE REGULATION. SINCE THE CONTRACTOR PERSONNEL ARE AUTHORIZED ACCESS TO THESE FACILITIES ONLY BY VIRTUE OF ITS INCLUSION IN THEIR CONTRACT, WE SUGGEST THAT A CLOSE EXAMINATION BE MADE OF THESE CONTRACTS IN ORDER TO EXCLUDE PERSONNEL WHO ARE NOT WORKING WITH OR FOR THE US FORCES IN GREECE. REITED US PERSONNEL SHOULD NOT BE GIVEN ACCESS TO DUTY-FREE IMPORTED ITEMS, ALTHOUGH THEIR USE OF SERVICES (E.G. MEDICAL, CLUBS, ETC.) SHOULD NOT BE INTERRUPTED UNLESS CHALLENGED BY THE GOG, AT WHICH TIME WE WOULD NEED TO DISCUSS THE PROBLEM.

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EXDIS

8. AUTOMOBILES OF THE MEMBERS OF THE US FORCES ARE NOW LICENSED WITH FOREIGN MISSION (XA) PLATES. THESE LICENSE PLATES ENABLE THE DRIVER TO UTILIZE TOLL ROADS WOTHOUT PAYMENT AND ARE ALSO A PREREQUISITE TO USE OF REDUCED-PRICE GASOLINE COUPONS AVAILABLE TO MEMBERS OF FOREIGN MISSIONS. BECAUSE OF THE VANDALISM CARRIED OUT AGAINST MANY AUTOMOBILES OF MMBERS OF THE US FORCES IN THE MONTHS FOLLOWING THE ERUPTION OF THE CYPRUS CRISIS, WE HAVE SOUGHT TO FIND AN ALTERNATIVE TO THE

DISADVANTAGES OF XA PLATES. SINCE A LARGE PROPORTION OF THE CARS SO LICENSED DO BELONG TO MEMBERS OF THE US FORCES, GREEKS SEEKING TO WORK OFF THEIR FRUSTRATION BY DESTROYING AMERICAN PROPERTY FOUND IT EASY TO IDENTIFY THESE CARS. WE REALIZED THE DIFFICULTIES THIS INITIATIVE MIGHT CREATE IN OPENING TO QUESTION THE CONTINUED TAX FREE STATUS OF THESE AUTOMOBILES IF THEY NO LONGER BEAR THE TAX FREE XA PLATES. HOWEVER, WE DID NOT BELIEVE THAT THE STATUS OF THESE AUTOMOBILES WOULD REMAIN UNNOTICED IF THE GOG, AS IT NOW HAS, CHALLENGED PRIVILEGES AND IMMUNITIES OF THE US FORCES. WE SHALL CONTINUE OUR EFFORT TO SECURE TAX-FREE BUT LESS DISTINCTIVE LICENSE PLATES FOR AUTOMOBILES OF MEMBERS OF THE US FORCES.

9. BY VIRTUE OF DISPLAYING XA LICENSE PLATES, U.S. FORCES MEMBERS HAVE BEEN , AS NOTED ABOVE, ELIGIBLE FOR PURCHASE OF GASOLINE COUPONS WITH WHICH THE COST OF BUYING GASOLINE ON THE OPEN MARKET IN GREECE IS

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SIGNIFICANTLY REDUCED. THE COST OF THESE COUPONS HAS INCREASED QUITE CONSIDERABLY SINCE OCTOBER 1973. HOWEVER, THE COST OF GASOLINE HAS INCREASED EVEN MORE ON THE OPEN MARKET IN GRRECE, WHERE IT IS NOW DOLS 2.18 A GALLON FOR PREMIUM. WHEN A "DIPLOMATIC PRICE" OF DOLS 0.87 PER GALLON FOR PREMIUM WAS INSTITUTED LATE IN 1974, WE SOUGHT THE SUPPORT OF THE MINISTRY OF FOREIGN AFFAIRS IN OUR EFFORT TO EXTEND THIS PRICE NOT ONLY TO ALL MEMBERS OF THE EMBASSY STAFF AND MISSION, WHOSE RIGHT TO IT WAS QUESTIONED BY THE FONOFF, BUT TO THE US FORCES AS WELL. THE CASE FOR SUCH EXTENSION WAS MADE ON JANUARY 24, QOUT IN AN AIDE MEMOIRE. IN FORMULATING THIS AIDE MEMOIRE, IT BECAME APPARENT TO US THAT THE US FORCES WERE EXEMPT ONLY FOMR DIRECT TAXES (AS RECORDED IN EMBASSY NOTE#75 OF SEPTEMBER 7, 1956 AND THE MINISTRY'S NOTE #39068). ON MARCH 10, 1975, THE EMBASSY RECEIVED AN AIDE MEMOIRE IN RESPONSE WHICH POINTED OUT THAT THE GASOLINE TAXES, WHICH CONSTITUTED THE DIFFERENCE BETWEEN DOLS 0.87 AND DOLS 2.18 PER GALLON, WERE INDIRECT AND NOT DIRECT TAXES AND THAT THE US FORCES THEREFORE COULD NOT BENEFIT FROM THE TAX EXEMPTION INHERENT IN THE "DIPLOMATIC PRICE" OF GAS COUPONS. THE MINISTRY CLEARLY WAS UNAWARE THAT LOCAL PETROLEUM COMPANIES BEGAIN SELLING TO THE US FORCES THE "DIPLOMATIC PRICE" COUPONS SEVERAL WEEKS BEFORE THE MINISTRY'S REPLY OF MARCH 10. WE DO NOT INTEND AT THIS TIME TO TAKE ACTION TO DENY GASOLINE COUPONS TO THE US FORCES, AND WILL PLEAD DIPLOMATIC IGNORANCE IF THE MINISTRY BECOMES AWARE THAT

THE US FORCES MEMBERS NOW ARE PURCHASING SUCH COUPONS. IT IS DISTINCTLY POSSIBLE, HOWEVER, THAT IN THE DISCUSSION OF PRIVILEGES, IMMUNITIES, AND EXEMPTIONS IN THE SECOND ROUND ROUND OF NEGOTIATIONS, THIS INELIGIBILITY WILL SURFACE.

10. MEMBERS OF THE US FORCES IN GREECE CURRENTLY ARE ABLE TO PURCHASE GASOLINE FROM EES OUTLETS ON ATHENS AIR BASE, NEA MAKRI, AND AT A FEW OTHER INSTALLATIONS IN GREECE AT A COST OF DOLS 0.90 PER GALLON FOR PREMIUM. UNLESS THIS RELATIVELY NEW PRACTICE DATING FROM EARLY 1974 IS CHALLENGED, DENYING GASOLINE COUPONS TO THE US FORCES WILL HAVE CONSIDERABLY LESS IMPACT THAN
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OTHERWISE WOULD BE THE CASE. IT WOULD APPEAR THAT MEMBERS OF THE FORCES WOULD BE DISADVANTAGED ONLY IN TRAVELLING AWAY FROM THE GREATER ATHENS AREA OR THOSE OTHER INSTALLATIONS WHERE EES GAS IS AVAILABLE. ALTHOUGH WE HAVE NOT AS YET RECEIVED ANY INDICATION THAT THE GOG WILL CHALLENGE THE SALE OF THIS RELATIVELY LOW COST GASOLINE THROUGH EES OUTLETS, THE DISTINCE POSSIBILITY THAT ATHENS AIR BASE WILL BE CLOSED AND THAT THE FACILITIES OF THE BASE WILL BE SCRUTINIZED IN THE PROCESS MAY WELL IMPERIL THIS VERY IMPORTANT PRIVILEGE OF THE MEMBERS OF THE US FORCES. SHOULD IT OCCUR IN CONJUNCTION WITH THE DENIAL OF LOW-COST GASOLINE COUPONS, THE ECONOMIC IMPACT ON MEMBERS OF THE US FORCES WILL BE QUITE CONSIDERABLE. THIS EXTRAORDINARY EXTRA COST MIGHT BE DEEMED COMPENSABLE BY THE MILITARY DEPARTMENTS. IN THIS EVENT, WE ESTIMATE ON THE BASIS OF 10,000 MILES DRIVING PER YEAR FOR 3,900 POV'S, AND ASSUMING GASOLINE CONSUMPTION OF 20 MPG THAT THE ANNUAL COST TO THE USG OF COMPENSATING THE AUTOMOBILE OWNERS FOR THE DIFFERENCE BETWEEN THE CURRENT EES PRICE (90 CENTS) FOR PREMIUM AND THE MARKET PRICE (2.18) WOULD BE APPROXIMATELY \$2.5 MILLION. NATURALLY, A REDUCTION IN THE US PRESENCE WOULD REDUCE THIS COST IN PROPORTION.

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EXDIS

11. NATO SOFA XI 6 FREES THE RECEIVING STATE FROM ANY OBLIGATION TO EXEMPT PRIVATE VEHICLES FROM ROAD TAXES, BUT NOTE NO. 75 OF SEPT. 7, 1956 SPECIFIES SUCH AN EXEMPTION. WE BELIEVE THAT THE GOG WILL ATTEMPT TO TERMINATE THIS EXEMPTION, IN WHICH CASE THE CIRCULATION TAX WOULD BE APPLIED TO POV'S OF MEMBERS OF THE FORCES. THE CIRCULATION TAX ON AUTOMOBILES IN GREECE IS CALCULATED ON THE BASE OF THE TAXABLE HORSE-POWER OF THE AUTOMOBILE, WHICH IS DERIVED THROUGH A CALCULATION BASED PRIMRILY ON THE VOLUME OF THE ENGINE. THE "TAXABLE HORSEPOWER" OF STANDARD SIZE AMERICAN-MADE AUTOS WITH 8 CYLINDER ENGINERS, FOR EXAMPLE, VARIES FROM 35 TO 48. THE ANNUAL CIRCULATION TAX ON SUCH TAXABLE HORSEPOWER RANGES FROM DRS. 43,680 (\$1,456) TO DRS. 65,520 (\$2,184). THIS CLEARLY WOULD BE PROHIBITIVELY EXPENSIVE FOR ALL BUT THE HIGHEST RANKING PERSONNEL. PRESUMABLY US MILITARY PERSONNEL WOULD HAVE TO BE REIMBURSED IN SOME WAY FOR THE VERY CONSIDERABLE COST OF PAYING THE GREEK CIRCULATION TAX. WE HAVE ESTIMATED THAT THE ANNUAL AGGREGATE COST OF THE CIRCULATION TAX, IF ASSUMED TO AVERAGE \$1,250 PER VEHICLE AND BASED ON APPROXIMATELY 3,900 POV'S (EXCLUDING MOTORCYCLES) OF US FORCES' MEMBERS, WOULD BE APPROXIMATELY \$4 MILLION. THIS WOULD, OF COURSE, GO DOWN AS THE NUMBER OF US PERSONNEL DWINDLED.

12. THE SUBSTANTIAL COST TO THE USG OF ATTEMPTING TO COMPENSATE SERVICEMEN FOR THE AUTOMOBILE-RELATED COSTS
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DISCUSSED IN PARAS 8-11 ABOVE, AND THE DISASTROUS IMPACT ON MORALE OF A FAILURE TO COMPENSATE THEM, LEADS TO THE CONCLUSION THAT WE SHOULD DO OUR UTMOST TO FEND OFF ALL ATTEMPTS TO IMPOSE SUCH TAXES ON MEMBERS OF THE US FORCES. THEY CANNOT BE JUSTIFIED AS OFFSETTING THE COSTS OF ROADS, TRAFFIC LIGHTS, ETC. AND CLEARLY ARE

INTENDED TO GENERATE GENERAL REVENUES.

13. THE GREEK NEGOTIATOR'S STATEMENT THAT "THE WHOLE INTRICATE PROBLEM OF FINANCIAL ARRANGEMENTS RELATED TO THE FUNCTIONING OF BRACKETS U.S. CLOSE BRACKETS FACILITIES SHOULD COME UNDER SCRUTINY" (REF B) DOUBTLESS IS A HARBINGER OF AN ATTEMPT NOT ONLY TO ESCAPE ANY DIRECT FINANCIAL OBLIGATION ARISING FROM THE PRESENCE OF US FORCES BUT TO REDRESS THE PREVIOUS FINANCIAL BALANCE SO AS TO GENERATE REVENUE TO COMPENSATE FOR THE INDIRECT COSTS OF HOSTING THE US FORCES(MOST DIRECT COSTS ALREADY ARE PAID BY THE US FORCES) OR SIMPLY TO INCREASE THE GENERAL TAX REVENUES. NOT ONLY THE VARIOUS PROVISIONS OF THE MILITARY FACILITIES AGREEMENT (MFA) OF OCTOBER 12, 1953, AND APPENDIX I THERE-TO, BUT ALSO THE TAX RELIEF AGREEMENT OF FEBRUARY 4, 1953, WILL BE CHALLENGED. WHILE WE CANNOT PREDICT THE PRECISE FORM THIS CHALLENGE WILL TAKE, WE SUGGEST THAT GENERAL GUIDELINES BE ADOPTED WHICH MIGHT BE ARTICULATED IN RESPONSE TO DEMANDS FOR CHANGES THAT ARE LIKELY TO RESULT IN SUBSTANTIAL ADDITIONAL COSTS TO THE USG, SINCE WE ASSUME THE MILITARY DEPARTMENTS WILL WISH TO STUDY SUCH CHANGES BEFORE AGREEING TO OR DISPUTING THEM. WHEREAS IN EARLIER YEARS CERTAIN COSTS STEMMING FROM THE PRESENCE OF US FORCES WERE ABSORBED BY THE GOG, OR REVENUES OTHERWISE COLLECTABLE FOREGONE, BECAUSE OF THE TANGIBLE BENEFITS GREECE RECEIVED (I.E. ECONOMIC AND MILITARY ASSISTANCE), THE GOG APPEARS NOW TO BELIEVE THAT COSTS OUTWEIGH BENEFITS. WE SUGGEST THAT OUR PHILOSOPHY BE ONE OF "ZERO ECONOMIC IMPACT," THAT WE COMPENSATE THE GOG FOR COSTS IT INCURS THROUGH THE CONTINUED PRESENCE OF US FORCES, PARTICULARLY AT ATHENAI AB, WHETHER FOR NEW LAND ACQUISITION (UNLIKELY AS THAT MAY SEEM NOW), USE OF GREEK SERVICES (E.G. LANDING FEES AND DOCKING FEES INCLUDED), OR OTHER INDIRECT COSTS. ALTHOUGH WE HAVE NOT BEEN ABLE TO
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ESTIMATE THE POSSIBLE COSTS OF SUCH AN APPROACH, WE BELIEVE THEY WOULD FALL CONSIDERABLY SHORT OF THE SUMS WHICH WERE DEVOTED IN EARLIER YEARS TO ECONOMIC AND MILITARY ASSISTANCE.

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EXDIS

14. JUDGING FROM OTHER NEGOTIATIONS OF RECENT YEARS, THERE IS ONE FINANCIAL PROVISION OF THE MFA WHICH IT CAN BE ASSUMED WILL BE CHALLENGED BY THE GOG, THE CONCEPT OF PAYMENT FOR RESIDUAL VALUE OF PROPERTY INCORPORATED IN THE SOIL OF GREECE. IT APPEARS THAT THIS CONCEPT WAS EMBODIED IN THE MFA, AND IN LIKE AGREEMENTS WITH OTHER COUNTRIES, AS A DETERRENT TO ANY ATTEMPT TO EVICT US FORCES FROM VALUABLE FACILITIES COVETED BY HOST COUNTRY FORCES. IT IS OUR UNDERSTANDING THAT SUCH PROVISIONS HAVE RARELY BEEN INVOKED. ALTHOUGH WE WOULD NOT WISH TO ABANDON OUR RIGHT TO COMPENSATION FOR FACILITIES WE MIGHT HAVE TO ABANDON IN THE NEAR FUTURE, WE REGARD AS UNREALISTIC ANY EXPECTATION THAT A RESIDUAL VALUE CLAUSE WILL BE RETAINED IN A REWRITTEN MFA. RATHER, WE WOULD SUGGEST THAT THE NEED FOR ASSURED TENURE IN ANY POSSIBLE NEW CONSTRUCTION IN GREECE BE SOUGHT THROUGH THE MECHANISM OF A MINIMAL PERIOD OF TIME DURING WHICH THE US FORCES WOULD BE "GUARANTEED" USE OF THOSE FACILITIES. HOWEVER, USEFUL AS SUCH A GUARANTEE MIGHT BE IN PROVING ON PAPER THAT FUNDS MIGHT SAFELY BE INVESTED, RECENT EXPERIENCE HERE, AND EARLIER EXPERIENCE ELSEWHERE, SHOWS THAT SUCH GUARANTEES ARE ILLUSORY AND THAT THE REALIZATION THAT COMMON INTERESTS EXIST IS THE BEST ASSURANCE OF A USEFUL TENURE.

15. IN ANALYZING THE GOG COMPLAINT THAT IT HAS BEEN DENIED ACCESS TO US FACILITIES, WE HAVE TENDED TO

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FOCUS ON THE MAJOR INSTALLATIONS, WHERE THE GOG OBVIOUSLY FEELS THE NEED TO INFORM ITSELF. A SIMILAR PROBLEM, BUT OF A LOWER ORDER OF MAGNITUDE,

PROBABLY EXISTS WITH REGARD TO THOSE PROVISIONS OF THE MFA AND APPENDIX I THERETO WHICH EXEMPT US FORCES' ACTIVITIES NOT ONLY FROM DUTIES AND TAXES BUT FROM "CUSTOMS RESTRICTIONS AND INSPECTIONS." THERE HAVE BEEN INDICATIONS THAT THE GOG WILL WISH TO CANCEL THESE DEROGATIONS FROM GREEK SOVEREIGNTY AND ALTHOUGH CERTAIN PROBLEMS MIGHT ENSUE, MUTUALLY TOLERABLE PRACTICES WOULD HAVE TO BE WORKED OUT. THE "CUSTOMS RESTRICTIONS AND INSPECTIONS" MIGHT THEN BE EXPECTED TO AFFECT CLUBS, EXCHANGES, COMMISSARIES AND, PERHAPS, MILITARY POST OFFICES.

16. IT SHOULD BE NOTED AT THIS POINT THAT RECENT GREEK REQUESTS FOR INCREASED ALLOCATIONS OF FMS CREDIT AND, MOST RECENTLY, THE RESUMPTION OF GRANT MILITARY ASSISTANCE ARE PROBABLY NOT UNRELATED TO FINANCIAL AND OTHER PROBLEM OF A US MILITARY PRESENCE. ALTHOUGH ANY DECISIONS ON MILITARY ASSISTANCE PROPERLY WILL BE TAKEN AFTER WEIGHING ALL RELEVANT FACTORS, IT SHOULD BE NOTED THAT THE RESUMPTION OF SOME FORM OF GRANT MILITARY ASSISTANCE ALMOST CERTAINLY WOULD CREATE CIRCUMSTANCES MUCH MORE FAVORABLE THAN THOSE NOW EXISTING FOR THE RETENTION OF SUBSTANTIALLY UNCHANGED US BASE RIGHTS IN GREECE.
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